

Independent Rates Oversight Committee – IROC
November 10, 2008
M I N U T E S

1. Roll Call

Chairperson Billings called the meeting to order at 10:04 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair	X	
Linda Cocking	X	
Christopher Dull	X	
Jack Kubota	X	
Barry Newman	X	
Jim Peugh	X	
Charles Richardson	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch		X
ExOfficios		
Scott Tulloch		X
Augie Caires, Alternate (for Scott Tulloch)	X	
Yen Tu		X

2. Non-Agenda Public Comment

There was no public comment.

3. Approval of Minutes from 10/13/08

Chairperson Billings called for a motion to approve the minutes. Committee Member Newman moved, Committee Member Richardson seconded, with Committee Member Welch absent, and 2 abstentions, the minutes were unanimously approved.

4. Chair Updates

Chairperson Billings mentioned IROC's decision to begin to raise its public profile, due to the many arising prominent issues. He announced the Mayor's office directed staff not to go forward with the insert in the water bills, on the basis of cost and that it would set a precedent for other advisory committees who may want to do something similar. He noted the IROC has some alternative sources of funding, and will meet this week with the Mayors office and expects a decision.

He reminded the IROC members attending the upcoming tour, to provide their Identification Cards to Monica for required copies.

This comment was made at the beginning of item 9, by oversight. Chairperson Billings welcomed Christopher Dull to the IROC Committee and mentioned he is filling the Construction Management rate class. He encouraged Committee Member Dull to join any of the Subcommittees if he would like.

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

5. **City Staff Updates**

➤ *Water Department, Jim Barrett*

- Noted that today City Council will hear the Water Department's Draft Drought Ordinance, which is basically an adjustment to the version put forward by the CWA. There will also be a second reading of the Water Bonds, which was heard earlier this month.
- November 17, the Rate Increase for the CWA Pass-through and the IPR Demonstration Project will be heard at City Council.
- Water is trying to get on the December 2 hearing to re-look at the Reservoir Recreation Program, with an attempt to push forward a business process re-engineering that adjusts fees to reduce the cost of operating the program to the General Fund side, but continues to leave in place the wall between the Enterprise Fund and that particular function.

➤ *Metropolitan Wastewater Department, Jim Barrett*

- Meetings later this week with Coast Law Group and Coast Keeper, expecting a tentative decision from EPA before the end of this month (update to first week in December).

Committee Member Peugh asked for information related to the water pipe break in South Crest, and how old that pipe was. Mr. Barrett stated he does not have direct information but it was a 16" line, and approximately 75 years old. This would be termed as a transmission line rather than a distribution line, a lot of water and pressure.

Committee Member Newman stated that, Water staff did meet with a group of interests about the drought where they discussed and made changes related to the drought ordinance. Water did not meet with the IROC and this concerns him. He finds this surprising, and feels IROC should have had the opportunity to create a special meeting for IROC to weigh in. Mr. Barrett mentioned there was a briefing to the IROC and it certainly was not the intent to keep the IROC out of the process. Mr. Barrett stated that staff felt the briefing was sufficient, and there was not a request from the IROC for a special meeting. In the future, if the IROC wants a more detailed briefing, please feel free to let your interests be known to staff, and it can be accommodated. Mr. Newman expressed his concern about the difference between a briefing and a draft evaluation, and believes the IROC should be part of the process. Mr. Barrett concurred.

6. **SANDAG Environmental Mitigation Program Transnet Grant for Proctor Valley Off-Highway Vehicle – Funds Transfer**

Ms. Steirer introduced Niki McGinnes, Senior Environmental Planner and Project Manager for this Grant. She is commended on preparing the Grant Application and securing the funds.

Ms. McGinnes stated the goal of this project is to prevent further degradation to land in Proctor Valley, managed by the Water Department for watershed and habitat values by

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

installing steel barriers along Proctor Valley Road to prevent off-road vehicles from illegally entering the watershed. She then gave a description of the Proctor Valley area. She gave a presentation pointing out adjacent property owners which include the U.S. Fish and Wildlife Service & California Department of Fish and Game; the valley is part of the San Diego natural wildlife refuge. She noted the Water Department parcels are part of the City's cornerstone lands and serve as a core resource area and a building block of the MSCP Preserve System pursuant to the City's agreement with the wildlife agencies. She mentioned the challenges of the unauthorized off-road vehicle use and illegal dumping of trash. She stated the open nature of this barrier allows wildlife passage and will not impede the flow of water. Ms. McGinnes gave an overview of the project phasing, project timeline of 3 months, and the SANDAG approved project budget. This project has a cost of \$425,754 which includes a match of \$110,000 to cover in-house costs and a portion of the fence. The total award grant is \$325,754. She added an additional component included public outreach and education. A brochure will be distributed. Ms. Steirer then requested the action approval to tap into \$325,000 from the DRES to front fund the project and will then reimburse with the grant funds, and noted this would go before the City's Natural Resources and Cultural Committee on December 3, 2008.

Committee Member Peugh asked what enforcement agency would issue citations to illegal trespassers. Ms. McGinnis stated it is a cooperative effort by the City's Ranger Drivers and the Sheriff Off-road Task Force. He then asked if the revenue from the citations issued could help pay for this project, Ms. McGinnis stated attempts are being made with the coordination of the agencies, however, staffing is restricted. Alternate opportunities have been considered to partner, and this was the outcome.

Committee Member Peugh moved to approve this expenditure, Committee Member Richardson seconded, with Committee Member Webster absent, it was unanimously approved.

Upon requested motion by Chairperson Billings, Committee Member Newman moved, seconded by Committee Member Webster, with Committee Member Welch absent, all were in favor.

7. Potential Revenue Impact from anticipated Water Conservation and Potential Water Supply Reductions

Rod Greek, Deputy Finance Director, Water Department, gave a brief background and information on the Metropolitan Water District (MWD) and their allocations. He mentioned the FY10 Budget, with water supply continuing to be an issue, is again estimated with a 15% conservation factor on both Water Sales and Water Purchases. In FY10, a 15% reduction to Water Sales is approximately \$45 million. The reduction in Water Purchases is approximately \$23 million leaving a net budgetary impact of negative \$22 million.

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

The current FY09 experience is an approximate reduction of 6.5%. He explained the process used, in the FY09 budget was to remove the 5 day (from 50 to 55 days) increase in the Operating Reserve per the reserve policy. He said it would be reviewed near the end of FY09 and if the revenues supported the increase in the reserve, it would be completed. Mr. Greek also noted that the requested needs from the different divisions in the Department, Capital and Operational requests were looked at. Many of the requested additions to the FY09 budget were declined as there was not sufficient revenue to support them. A list has been maintained to identify the requested additions that were not approved. At this time, unanticipated needs are being reconsidered midyear, as well as review for potential opportunities to fund some of these items in the FY10 Budget.

He added due to the conservation efforts, additional staff will be needed in FY10 for water studies, public outreach, customer service and enforcement. He then spoke about future plans. He mentioned the MWD may be penalizing us for exceeding allocation levels if they go to a mandatory reduction program. He stated the Department is presenting the Drought Ordinance to Council today.

Council Member Richardson asked for clarification of the penalties for exceeding allocations. Mr. Greek went over the item in more depth. Chairperson Billings asked how this is measured and Mr. Barrett stated it is assessed annually. He then added it is expected that as the retailer we need to generate modification behaviors to obtain the savings necessary. This has not been fully discussed, but IROC will be involved. He also stated MET has not yet decided to go through with an allocation plan, discussions will take place next week in Los Angeles. Chairperson Billings inquired about the process for establishing penalties, and the interest of the public for universal tiered rates. Mr. Barrett added recognizing the anticipated interest, the City has been advised the rates should be taken through the 218 Process, which has a concerning 45 day delay. He feels educating the public of the severe crisis is most important, and what we expect as normal-use under this crisis to be. It is expected there will be hardship variances, which will offer a way to plead for extenuating circumstances including mitigation before a group which is not formalized yet. He mentioned the idea is to eventually drive down the outside use by approximately 30% and reduce the inside use by approximately 10% in order to get an overall 10% reduction across all classes.

Mr. Newman feels tough economic environments will be with us for a long time, and feels systemic changes should be forced to lifestyle habits. Mr. Richardson stated in regard to the lead time required for a 218 Notice that it is in our best interest to get the process in place, even if there are mandatory requirements. This is one way the rate payers can better prepare themselves, and will be aware of the economic cost if this happens in advance. Mr. Peugh expressed his concerns about this situation and feels we need to be more proactive, and head toward mandatory reductions sooner. He also mentioned the rates should be more robust, in order to be more realistic to the situation. Tom Zeleny stated he will look into the 218 issue, he believes there was a precedent that came out a few years ago that would make these penalties exempt from 218 as a

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

regulatory fee. He will bring his findings back to the Committee. Chairperson Billings concurred with the IROC on preparing the public early for what is on the horizon.

8. Subcommittee Reports

a. Finance

Committee Member Richardson, Finance Chair, noted the October 13 meeting minutes are provided in the package, he pointed out several subjects covered such as: status reports for the current FY08 draft of the DRES Reserves Report which is still in process, reviewed the current status of Departmental construction progress and financial reports for FY08, and the planned rate case construction projects. They also discussed the current expectations, timetable and status of the 2009 Bond Funding and the status of the development of the first Annual Performance Draft which both departments are working on. During this morning's meeting, statistical information was discussed on cost performances at the two recycling plants and information on current and planned rate schedules for the two Departments, including the presentation going before the City Council. He also mentioned purchasing costs and inventory of Service Level Agreements which are being worked on.

Chairperson Billings asked the Finance Committee to look at Peak Pricing and Universal Tiered Rates for future topics. Committee Member Richardson concurred.

b. Environmental & Technical

Committee Member Peugh, Environmental & Technical Chair, reported the next milestone for IPR is the Council decision on November 17, to move ahead with the rate increase, followed by the consultant contract in the next calendar year. He also said that the Water Reuse Association will be meeting in San Diego soon, which will educate the public. Water Conservation was discussed as well as Automated Meter Reading and mandatory sub-metering for commercial and residential tenants. He mentioned he was surprised that dry composting toilets to reduce water, has not been looked into. He said they learned that the waterless urinals require a great deal of maintenance.

c. Public Outreach, Education & Customer Service

The Chair was not present; however the minutes from the previous meeting were included in the package. Committee Member Newman commented that during the meeting, the Subcommittee recommended that the IROC take a proactive role in public outreach on items such as IPR, Water Conservation, and other such issues, by asserting the public that we are not only a resource to the Mayor and Council, but a to the public as well. He added it was discussed that it is important to hear all sides of issues, no matter how strongly we might feel individually on these issues. It is important to be proactive either through electronic or print media in representing the existence of IROC and the IROC mission. Chairperson Billings stated the November meeting was to have a systematic way to plug into Council meetings and mentioned Mr. Linares has provided the IROC with the schedule.

9. **AMR Implementation**

Prior to this item being heard, Committee Member Dull stated the firm he worked with might have a potential interest in the AMR if the City moves forward with the project. He recused himself from the meeting and left the room. After discussion of this item, Mr. Zeleny, Deputy City Attorney, called him back into the room. Mr. Bresnahan briefed the IROC on the progress of the project. He reiterated that Automated Meter Reading (AMR) will benefit not only the customers, but the Water Department as well. He introduced Ms. Delia Dee who gave a presentation, included in the package. Her overview included some benefits such as: improving customer service; timely and accurate billing, providing exact consumption data; elimination of manual readings; efficient field investigations; increased employee security and safety; and revenue recovery. She covered additional system benefits such as fuel savings, staff time savings, water and financial savings. Ms. Dee spoke of difficulties and expenses involved with the manual reading in comparison to AMR. She suggested the following recommendations : 1) implementing the Datamatic Mobile AMR System, Phase I; 2) require all new development water meters to be automated (AMR); and 3) continue cost benefit analysis and recommend timing for system-wide deployment. She also reviewed the cost and savings pointing out a payback period of 4.6 years. She mentioned due to the economy, the firm selected to finance AMR rescinded their offer last week. Fortunately, the Department has a few options including: participate in the City's Master Lease Program; re-issue an RFP for finance; and the Attorneys are contemplating potentially sole sourcing financing. The most efficient and cost efficient alternative would be to participate in the Master Lease Program. Debt Financing, who manages to the Master Lease Program, is ready to issue the RFP to renew it. Consequently, there has been a slight delay in the schedule. The next steps, if approved, would be to go to City Council in January or February and begin deployment approximately May, 2009 and public outreach will begin as soon as approved.

Committee Member Richardson complimented Ms. Dee on her presentation, which showcased the actual savings and benefits of the self-funding project. Mr. Peugh asked if the customer will have access to the readings in real time. She stated the customer can see the information on the meter, as before, in real time, however after the new system is implemented, the customer could access the historical information on the web upon request, or ask the meter reader to stop by and display the information on their laptop.

Committee Member Richardson asked in regard to the large number of meters requiring replacement, when would this be rolled out to other areas. Mr. Bresnahan mentioned the cost benefit analysis, which did not take fully into account the increased emphasis on water conservation. The recommendation is to work with the consultant and develop a solid business case for expanding the use of AMR technology, perhaps through the entire amount.

Mr. Richardson asked for comparison purposes, if Mr. Bresnahan can provide what the replacement cost would have been for the 27,000 meters excluding AMR. Mr. Bresnahan

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

stated he has the information and will provide. Mr. Newman suggested thinking about requiring replacement of the meter at transfers of facilities, much like the replacement to low flush toilets, which would be a cost to the consumer. Mr. Barrett recognized his suggestion. Chairperson Billings asked about the possibility of requiring the AMR technology be in place for new construction, in regards to Multi-Family Submetering. Mr. Bresnahan stated the Water Department does not have control of over this; it is the California Department of Weights and Measures. He believes there is activity regarding this, and seems appropriate, but does not have the status. Mr. Barrett stated he understands there is a labor union issue involved in the Master Meter Legislation, and overcoming this is considerable.

Upon motion by Chairperson Billings, Committee Member Newman moved to recommend the support of the program as presented, Committee Member Richardson seconded, with Committee Member Welch absent, it was unanimous.

10. Proposed Agenda Items for Next IROC Meeting of December 8, 2008

Please forward any proposed items to Chairperson Billings or Ernie Linares via phone or email.

11. IROC Members' Comments

Committee Member Kubota mentioned with President Elect Obama coming aboard, and his desire to include in the second economic stimulus act for infrastructure that emphasizes water, transportation and wastewater projects, he feels it would be a good opportunity to take advantage of this and be speedy with projects.

Committee Member Cocking suggesting bringing in a speaker to talk about the Multi-Family water issue, such as the San Diego County Apartment Association. Mr. Linares concurred.

Committee Member Peugh inquired about the cost of the impacts of water pipe breaks. Mr. Ruiz stated he does not have the specific data, however, the Operations Division does account for the cost in breaks and loss of water. He believes it is not aggregated on a year to date basis, but will look into this, and get back to IROC in the near future.

Committee Member Newman expressed his belief that we are in a “drought” for the longest period of time, because of where we live. He feels using terms such as “desert” pricing as opposed to “drought” pricing sends a much more appropriate signal to the listener.

Committee Member Richardson suggested since next meeting is the last meeting of the calendar year, it would be advisable to see the financial statements in there present form, for both the revenue and expenses for both Departments, in whatever detail can be provided. Chairperson Billings suggested this be a standing quarterly item.

Independent Rates Oversight Committee – IROC

November 10, 2008

MINUTES

Committee Member Webster suggested inviting Council Members to get an understanding of what IROC is all about.

Committee Member Newman asked if staff could notify the IROC of any CWA tours, and give the option to attend.

Adjournment of IROC

At 11:56 Chairperson Billings called for a motion to adjourn, Mr. Newman moved, Mr. Peugh seconded, with Committee Member Welch absent, unanimously the meeting was adjourned.

Recording Secretary: _____
Monica Musaraca